



Policy Letter #26

TO: All Cumberland County Workforce Development Service Providers

FROM: Justin Hembree, Interim Director

SUBJECT: Conflict of Interest Requirements for Workforce Development Boards, Staff, and Contractors

PURPOSE

In compliance with the North Carolina Department of Commerce, Division of Workforce Solutions' (DWS) Policy Statement 18-2017 (dated November 21, 2017), this policy provides guidance regarding conflict of interest requirements for Workforce Development Boards, Staff, and Contractors, to include North Carolina's General Statute that prohibits public officers or employees from benefitting from public contracts. Potential scenarios that relate to Workforce Development Board Members and NCGS 14-234 are included as a guide. Additional guidance for procurements and conflicts of interest can be found in 2 C.F.R. § 200.318, Public Law 113-128 Workforce Innovation and Opportunity Act Section 107(h), and North Carolina General Statute 14-234.

BACKGROUND

Consistent with Workforce Innovation and Opportunity Act (WIOA) Section 121(d)(4)(A) and (C), any organization or entity that has been selected to perform multiple functions in a Local Area must develop a written agreement with the Local Workforce Development Board (WDB) and the Chief Elected Official (CEO) to clarify how the organization will carry out its responsibilities while demonstrating compliance with WIOA and corresponding regulations, the Uniform Guidance, and Conflict of Interest policies of both the state and the organization or entity performing multiple functions.

ACTION

Local Workforce Development Boards and contractors must follow and be aware of all applicable federal, state, and local conflict of interest requirements when providing services (directly or indirectly) funded by Workforce Innovation and Opportunity Act (WIOA) resources. Workforce Development Board members and staff must be committed to maintaining the highest standards of ethical conduct and to guard against problems arising from real, perceived, or potential conflicts of interest.

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POLICY

Where this document references “Member,” it shall mean any agent, Career Center employee, officer, service provider contractor, and Board Member. The WDB and all other agencies receiving direct financial assistance through the Workforce Innovation and Opportunity Act (WIOA) shall avoid conflict of interest, real or apparent.

I. Boards

It is the policy and expectation of the Workforce Development Board (WDB) that its Members will fulfill the fiduciary duties applicable to their service as Members of the WDB. Due to the legal and statutory structures of the WDB, it is expected that conflicts of interest may arise and this policy is intended to provide a framework that will allow the work of the WDB to be achieved without the fact of or appearance of impropriety.

It is the responsibility of each Member to govern the actions of all other Members in compliance with the Conflict of Interest Policy. If a Member thinks there is a possibility of a conflict of interest, real or apparent, on the part of another Member, it is his or her affirmative responsibility to immediately bring the matter to the attention of the Workforce Development Board Director. Therefore, no WDB Member will discuss, present proposals, or vote on any issue as to which the Member has an economic interest unless specifically questioned by the other Members as part of a scheduled opportunity for all interested parties to present information. A Member may vote on and may discuss any matter what would not have any impact on the Member.

No official or employee of the WDB or contracting agency authorized in their official capacity to negotiate, make, accept, or approve, or to take part in the negotiating, making, accepting, or approving any contract or subcontract in connection with a project shall have directly or indirectly any financial or personal interest in any such contract or subcontract. It shall be against the policy of the WDB or contracting agency for any employee or volunteer to directly or indirectly ask, demand, exact, solicit, accept, receive, or agree to receive anything of value for themselves or any other person or entity in return for:

- Being influenced in the performance of their job or position;
- Being influenced to commit or aid in committing, or to collude in, or allow, any fraud, or to make opportunity for the commission of any fraud on the WDB or contracting agency; or
- Being induced to do or admit to any act in violation of their official duties.

II. Discovery of an Actual or Potential Conflict of Interest

Upon the assertion of a possible violation of this policy, the WDB Chair or Vice Chair will appoint an ad hoc committee to review the circumstances, report their findings to the Board for discussion and vote, and recommend a course of action in the event a Member is found to be in violation. Action may include, but is not limited to, a declaration that the Member be removed from the Board position and a request to the Cumberland County Board of Commissioners to make a new appointment.

III. Procurement

All negotiations of a contract for or with potential contractors/service providers must be conducted with arm's length negotiations. The definition of an arm's length negotiation is a negotiation where the parties to the negotiation have opposing economic interests to that of the organization with which they are negotiating.

No WDB Member (whether compensated or not) shall engage in any activity, including participation in the selection, award, or administration of a sub-grant or contract supported by WIOA funds in a conflict of interest, real or apparent, would be involved. Such a conflict would arise when:

- (i) the individual,
- (ii) any Member of the individual's immediate family,
- (iii) the individual's partner, or
- (iv) an organization that employs, or is about to employ any of the above, has a financial interest in the form or organization selected for the award.

No WDB Member, Member of his/her immediate family, officers, employees, or agents of the WDB Member's agency or business shall neither solicit nor accept gratuities, favors, or anything of value from contractors, potential contractors, or parties to sub-agreements.

A WDB Member shall not cast a vote, or participate in, any decision making capacity on the provision of services by such Member (or any organization which that Member directly represents), nor on any matter which would provide any direct financial benefit to that Member.

No WDB Members shall participate in a governmental decision including voting on a matter (including recommendations, appointments, obligating, or committing the WDB to a course of action) when such action influences a decision or exercises judgment in making a decision. Any Member with a potential or actual conflict of interest shall comply with requirements for public disclosure and recusal.

IV. Work Experience Placements

The Division of Workforce Solutions (DWS) strongly discourages the practice of placing participants in workforce training located at the Board office, NCWorks Career Center, or administrative entity due to the potential of conflicts of interest. Placement at these locations should only be allowed where there is specific documentation in the participant file that the particular experience meets the participant's career goals and skills needs *and* there is no other placement opportunity available.

V. Service Providers/Contractors

Although the WIOA program is not an entitlement program, it should be accessible to any individual, in any local area, who is eligible and suitable for available services subject to Local Workforce Development Board policies and procedures. However, when applicants have a close relationship with WIOA staff Members, management, and other specific stakeholders of the Workforce Development System, access to program services should not be based on such relationships or based on political influence. It is possible that even

without any intention to misuse WIOA funds, a decision to enroll an individual in the program could be perceived as improper. Such a perception could cause noncompliance with state and/or federal law.

General authorization for providing funds to participants will comply with the standards of conduct for maintaining the integrity of the program and avoiding any conflict of interest in its administration. Local Chief Elected Officials, Local Workforce Development Board, designated fiscal agent, and administrative officials must help meet the objectives of WIOA through effective policies, procedures, and safeguards that ensure the integrity of these public funds. Throughout the Local Workforce Development Area, safeguards must be in place ensuring that all those served in the program are not only eligible and suitable but also detached from being part of the perception of impropriety or conflict of interest.

In the event a service provider/contractor is related to a WDB staff Member or officer, appropriate firewalls must be in place to ensure the staff member/officer does not directly monitor, supervise, or provide oversight. An alternate staff Member/officer must be identified to assume the oversight responsibilities.

See also Policy #27, Serving Immediate Family Members, Close Acquaintances, and Other Stakeholders in WIOA Training Programs.

VI. Code of Conduct

A written set of standards (Code of Conduct) governing the performance of the WDB and its employees, officers, or agents related to real or apparent conflicts of interest is a requirement of 29 CFR 95.42.

Each Member shall annually confirm a statement that affirms that such person has:

1. Received a copy of the Cumberland County Workforce Development Board Code of Conduct Policy (Attachment C);
2. Read and understands the policy; and
3. Agreed to comply with the policy.

VII. Firewalls

Proper firewalls must be in place to ensure the transparency and integrity of the procurement process and demonstrate to the public and to the Department of Labor that the selection process was impartial and that no preferential treatment was given to the awardee. A “firewall” is an established policy or procedure that acts as a barrier or protection against an undesirable influence, outcome, or authority. Examples of firewalls include but are not limited to organizational arrangements that provide clear separation of duties and responsibilities, including confidentiality and disclosure agreements.

No entity or individual that has any role in the issuance of a solicitation may compete or submit a proposal under that procurement action, including the development of requirements, drafting the Request for Proposals (RFP) or Letter of Intent for Bid (IFB), evaluation of proposals/bids, and identification of the best entity.

Attachment A- NC General Statute 14-234

Attachment B- Potential Conflict Scenarios

Attachment C- Cumberland County Workforce Development Board Code of Conduct

Reference:

DWS PS 21-2017 (dated November 21, 2017), Procurement and Contracting

DWS PS 18-2017 (dated November 21, 2017), Conflict of Interest requirements for Workforce Development Boards and Staff

Creation Date

May 2017

Revised Date

June 2021

North Carolina General Statute 14-234

§ 14-234. Public officers or employees benefitting from public contracts; exceptions.

- (a)
 - (1) No public officer or employee who is involved in making or administering a contract on behalf of a public agency may derive a direct benefit from the contract except as provided in this section, or as otherwise allowed by law.
 - (2) A public officer or employee who will derive a direct benefit from a contract with the public agency he or she serves, but who is not involved in making or administering the contract, shall not attempt to influence any other person who is involved in making or administering the contract.
 - (3) No public officer or employee may solicit or receive any gift, favor, reward, service, or promise of reward, including a promise of future employment, in exchange for recommending, influencing, or attempting to influence the award of a contract by the public agency he or she serves.
- (a1) For purposes of this section:
 - (1) As used in this section, the term "public officer" means an individual who is elected or appointed to serve or represent a public agency, other than an employee or independent contractor of a public agency.
 - (2) A public officer or employee is involved in administering a contract if he or she oversees the performance of the contract or has authority to make decisions regarding the contract or to interpret the contract.
 - (3) A public officer or employee is involved in making a contract if he or she participates in the development of specifications or terms or in the preparation or award of the contract. A public officer is also involved in making a contract if the board, commission, or other body of which he or she is a member takes action on the contract, whether or not the public officer actually participates in that action, unless the contract is approved under an exception to this section under which the public officer is allowed to benefit and is prohibited from voting.
 - (4) A public officer or employee derives a direct benefit from a contract if the person or his or her spouse (i) has more than a ten percent (10%) ownership or other interest in an entity that is party to the contract; (ii) derives any income or commission directly from the contract; or (iii) acquires property under the contract.
 - (5) A public officer or employee is not involved in making or administering a contract solely because of the performance of ministerial duties related to the contract.
- (b) Subdivision (a)(1) of this sections does not apply to any of the following:
 - (1) Any contract between a public agency and a bank, banking institution, savings and loan association, or with a public utility regulated under the provisions of Chapter 62 of the General Statutes.
 - (2) An interest in property conveyed by an officer or employee of a public agency under a judgement, including a consent judgement, entered by a superior court judge in a condemnation proceeding initiated by the public agency.

- (3) Any employment relationship between a public agency and the spouse of a public officer of the agency.
- (4) Remuneration from a public agency for services, facilities, or supplies furnished directly to needy individuals by a public officer or employee of the agency under any program of direct public assistance being rendered under the laws of this State or the United States to needy persons administered in whole or in part by the agency if: (i) the programs of public assistance to needy persons are open to general participation on a nondiscriminatory basis to the practitioners of any given profession, professions or occupation; (ii) neither the agency nor any of its employees or agents, have control over who, among licensed or qualified providers, shall be selected by the beneficiaries of the assistance; (iii) the remuneration for the services, facilities or supplies are in the same amount as would be paid to any other provider; and (iv) although the public officer or employee may participate in making determinations of eligibility of needy persons to receive the assistance, he or she takes no part in approving his or her own bill or claim for remuneration.
- (b1) No public officer who will derive a direct benefit from a contract entered into under subsection (b) of this section may deliberate or vote on the contract or attempt to influence any other person who is involved in making or administering the contract.
- (c) through (d) Repealed by Session Laws 2001-409, s. 1, effective July 1, 2002.
- (d1) Subdivision (a)(1) of this section does not apply to (i) any elected official or person appointed to fill as elective office of a village, town, or city having a population of no more than 15,000 according to the most recent official federal census, (ii) any elected official or person appointed to fill an elective office of a county within which there is located no village, town, or city with a population of more than 15,000 according to the most recent official federal census, (iii) any elected official or person appointed to fill as elective office on a city board of education in a city having a population of no more than 15,000 according to the most recent official federal census; (iv) any elected official or person appointed to fill as elective office as a member of a county board of education in a county within which there is located no village, town, or city with a population of more than 15,000 according to the most recent official federal census, (v) any physician, pharmacist, dentist, optometrist, veterinarian, or nurse appointed to a county social services board, local health board, or area mental health, developmental disabilities, and substance abuse board serving one or more counties within which there is located no village, town, or city with a population of more than 15,000 according to the most recent official federal census, and (vi) any member of the board of directors of a public hospital if all of the following apply:
- (1) The undertaking or contract or series of undertakings or contracts between the village, town, city, county, county social services board, county or city board of education, local health board or area mental health, development disabilities, and substance abuse board, or public hospital and one of its officials is approved by specific resolution of the governing body adopted in an open and public meeting, and recorded in its minutes and the amount does not exceed twenty thousand dollars (\$20,000) for medically related services and forty thousand dollars (\$40,000) for other goods or services within a 12-month period.
- (2) The official entering into the contract with the unit or agency does not participate in any way or vote.
- (3) The total annual amount of contracts with each official, shall be specifically noted in the audited annual financial statement of the village, town, city, or county.

- (4) The governing board of any village, town, city, county, county social services board, county or city board of education, local health board, area mental health, developmental disabilities, and substance abuse board, or public hospital which contracts with any of the officials of their governmental unit shall post in a conspicuous place in its village, town, or city hall, or courthouse, as the case may be, a list of all such officials with whom such contracts have been made, briefly describing the subject matter of the undertakings or contracts and showing their total amounts; this list shall cover the preceding 12 months and shall be brought up-to-date at least quarterly.
- (d2) Subsection (d1) of this section does not apply to contracts that are subject to Article 8 of Chapter 143 of the General Statutes, Public Building Contracts.
- (d3) Subsection (a) of this section does not apply to an application for or the receipt of a grant under the Agriculture Cost Share Program for Nonpoint Source Pollution Control created pursuant to Article 72 of Chapter 106 of the General Statutes, the Community Conservation Assistance Program created pursuant to Article 73 of Chapter 106 of the General Statutes, or the Agricultural Water Resources Assistance Program created pursuant to Article 5 of Chapter 139 of the General Statutes by a member of the Soil and Water Conservation Commission if the requirements of G.S. 139-4(e) are met, and does not apply to a district supervisor of a soil and water conservation district if the requirements of G.S. 139-8(b) are met.
- (d4) Subsection (a) of this section does not apply to an application for, or the receipt of a grant or other financial assistance from, the Tobacco Trust Fund created under Article 75 of Chapter 143 of the General Statutes by a member of the Tobacco Trust Fund Commission or an entity in which a member of the Commission has an interest provided that the requirements of G.S. 143-717(h) are met.
- (d5) This section does not apply to a public hospital subject to G.S. 131E-14.2 or a public hospital authority subject to G.S. 131E-21.
- (d6) This section does not apply to employment contracts between the State Board of Education and its chief executive officer.
- (e) Anyone violating this section shall be guilty of a Class I misdemeanor.
- (f) A contract entered into in violation of this section is void. A contract that is void under this section may continue in effect until an alternative can be arranged when: (i) immediate termination would result in harm to the public health or welfare, and (ii) the continuation is approved as provided in this subsection. A public agency that is a party to the contract may request approval to continue contracts under this subsection as follows:
- (1) Local governments, as defined in G.S. 159-7(15), public authorities, as defined in G.S. 159-7(10), local school administrative units, and community colleges may request approval from the chair of the Local Government Commission.
 - (2) All other public agencies may request approval from the State Director of the Budget. Approval of continuation of contracts under this subsection shall be given for the minimum period necessary to protect the public health or welfare. (1825, c. 1269, P.R.; 1826, 2. 29; R.C., c. 34, s. 38; Code, s. 1011; Rev., s. 3572; C.S., s. 4388; 1929, c. 19, s. 1; 1969, c. 1027; 1975, c. 409; 1977, cc. 240, 761; 1979, c. 720; 1981, c. 103, ss. 1, 2, 5; 1983, c. 544, ss. 1, 2; 1985, c. 190; 1987, c. 570; 1989, c. 231; 1991 (Reg. Sess., 1992), c. 1030, s. 5; 1993, c. 539, s. 145; 1994, Ex. Sess., c. 24, s. 14(c); 1995, c. 519, s. 4; 2000-147, s. 6; 2001-409, s. 1; 2001-487, ss. 44(a), 44(b), 45; 2002-159, s. 28; 2006-78, s. 2; 2009-2, s. 2; 2009-226, s. 1; 2010-169, s. 2(a); 2011-145, ss. 13-.22A(dd), 13-23(b).)

Potential Conflict Scenarios Due to NCGS 14-234

(Responses provided by Frayda S. Bluestein, David M. Lawrence, Distinguished Professor of Public Law and Government, the University of North Carolina at Chapel Hill, School of Government)

All Workforce Development Board (WDB) members are considered public officers appointed to serve or represent a public agency under an interpretation of NCGS 14-234. Local Workforce Development Board members, who are unpaid volunteers, provide oversight to local activities funded with federal Workforce Innovation & Opportunity Act (WIOA) resources.

General Comments:

Responses below are based on North Carolina Statutes, mainly G.S. 14-234 and 234-1. Since there is federal money involved in this program, you would also want to look at any federal or state regulations that deal with conflicts of interest in contracting and voting. Sometimes they are broader than what we have in state law. Also, some of these scenarios do not involve legal issues but may create ethical or perception issues. In general, it is a good policy to avoid the appearance that businesses have a connection to people who are on the board derive some advantage from that connection. It's a good practice to make sure the WDB undertakes steps to avoid that perception, for example, by opening contracting and training opportunities broadly and avoiding board members voting on matters involving their employers or business associates.

Possible scenarios:

1. A WDB member, who is also the owner of a private company, wins the bid through a WDB competitive procurement to provide training services to customers. He has abstained from any discussion or voting on the WDB decisions regarding the procurement.

If the WDB awards this contract, and it is a contract with that entity, then there would be a violation of G.S. 14-234, since a prohibited contact occurs if a person has a "direct benefit". One definition of direct benefit is that the person owns 10% or more of the company that is contracting with the agency. It is not possible to avoid liability under this statute by abstaining from voting. If there is an exception that applies, then the person with the direct benefit is required to refrain from voting and participation in the discussion. I don't know of an exception that would apply here so the contract would be void, and the member would be subject to prosecution for a misdemeanor. This is not likely to happen but obviously, this should be avoided.

2. During an on-the-job training period, a company providing the training pays wages to the WIOA participant and is then reimbursed by the WDB with WIOA funds. A WDB member is a senior executive within the company that trains the participant and receives the wage reimbursement.

I don't see a legal violation here. The payment is a reimbursement, and there is no evidence that the WDB member owns the company or derives income or commission directly from the contract. Indeed, even G.S. 14-234 has an exception that allows reimbursement under public assistance programs if certain protections are in place. (See subsection (b)(4).) Along those lines, I would note that if there was a decision by the WDB regarding the selection of the company to provide the training, this board member should probably not participate in that process or vote. As noted above, I do not know if these boards have procedural rules or conflicts of interest policies, but it might be good to consider some rules about participation in these decisions when there is a connection, even if it not a legal conflict.

Policy #26 Conflict of Interest
Attachment B
Potential Conflict Scenarios Due to NCGS 14-234

3. WDB has staff from a local bank to present at a financial management workshop where customers are allowed to sign up for bank services. A representative from that local bank is a WDB member.

This situation might invoke the prohibition in G.S. 14-234.1 if it could be shown that the board member used his WDB position or information he had because of his service on the WDB to benefit his employer or himself. Even if there is no violation of the statute, it seems to me that this person should not be involved in the process of choosing the bank and that the board should take steps to avoid the appearance of favoritism.

4. WDB offers a job/health fair and uses a local healthcare provider to provide free screenings to the public. A representative of the local healthcare provider is a WDB member.

It is not clear that the member in this scenario benefits from the arrangement, but it seems possible that the provider might benefit from the exposure to new clients/patients. If that is correct, then the issue is whether the member/representative was involved in the decision to choose the provider in violation of G.S. 14-234.1 and even if not, did the process create an appearance of favoritism.

5. WDB offers a job/health fair and uses a local healthcare provider to provide screenings to the public for a minimal fee. A representative of the local healthcare provider is a WDB member.

Same as above, although in this case there is a benefit to the provider, so again, a possible violation of 14.234.1 or possible appearance of favoritism.

6. WDB hosts a workforce summit and provides door prizes- free tickets from a well-known amusement park and a complimentary stay at a local resort. Both businesses have members on the WDB.

I don't know of any legal problems with this. I suppose some might feel that they are using this opportunity to promote their businesses. The matter might look bad if they are the only ones allowed to provide door prizes. If there are other businesses that provide door prizes, it seems to me there is less of an appearance issue.

7. WDB has competitively procured the purchase of t-shirts for WIOA program participants. The successful bidder is a WDB member. He has abstained from any discussion or voting on the WDB decisions regarding the procurement.

See the answer to question #1. It doesn't matter that the contract was competitively bid or that the person didn't participate in voting or discussion. It's still a violation of G.S. 14-234.

8. WDB members use the services of public Career Centers (which WDBs oversee) to screen potential employees. (This is a free service to all employers.)

I don't see any legal problems with this. It could be awkward if there was a dispute about an employee and the member ends up in an adversarial position with the WDB, but that seems unlikely.

9. In which scenario(s) should only a conflict of interest policy be employed; rather than disqualifying the citizen from being a WDB member?

None of the statutes require a citizen to be removed, but in some cases, a person might have to make a decision about whether they want to have the contract or be on the board. Scenarios 1 and 7 involve that kind of issue. I do think that it is important to make sure that members understand the limitations serving on the board might create. It's good to have business people on the board but a good policy and a good understanding of the legal and perception issues will be important to maintain the credibility of the board and its work.



NO WORKFORCE DEVELOPMENT BOARD MEMBER, PROGRAM
OPERATOR, OR STAFF MEMBER SHALL:

- a. Accept any financial benefit, direct or indirect, from any source other than their employing agency as a result of their performance of official duties under Workforce Innovation and Opportunity Act activities.
- b. Accept any position, whether compensated or uncompensated, which will impair the independence of judgment in the exercise of official duties.
- c. Accept any position or engage in any business which will require the disclosure of confidential information gained by reason of official position.
- d. Disclose confidential information acquired during the performance of official duties or use such information to further personal gain.
- e. Use or attempt to use official position to secure personal privileges or exemptions or which would give the appearance of such.
- f. By conduct, writing, or other communication, give a reasonable person the impression that official duties may be improperly influenced.
- g. Violate any Board conflict of interest, statute, or law.
- h. Take part in any political activities in violation of the federal Hatch Act.
- i. Take part in any religious or anti-religious activity in the discharge of official responsibilities.
- j. Promote or oppose unionization in the discharge of official duties.
- k. Participate in any effort to violate any other applicable federal, state, and local laws and regulations.

- I. Conflict of Interest - It shall be a breach of ethical standards for any WIOA staff Member or program operator to participate directly or indirectly in a procurement when the employee knows that:
- (1) the WIOA staff Member or program operator or any Member of their immediate family has a financial interest pertaining to the procurement;
 - (2) a business or organization in which the WIOA staff Member/or program operator or any Member of their immediate family has a financial interest pertaining to the procurement; or
 - (3) any other person, business, or organization with whom the WIOA staff Member or program operator or any Member of their immediate family is negotiating or has any arrangement concerning prospective employment is involved in the procurement.
- m. Discovery of Actual or Potential Conflict of Interest. Upon discovery of an actual or potential conflict of interest, a WIOA staff Member/program operator shall immediately notify their supervisor and withdraw from further participation in the transaction involved. Further, should a WIOA staff Member/program operator reasonably believe an undisclosed conflict or potential conflict exists for another staff member, it is the duty and obligation of that person to make the matter known immediately to their supervisor, the Workforce Development Board Director, or other appropriate officials.

Violations of any provision of this Code of Conduct by Board Members, Board staff, or program operators may be cause for immediate dismissal. All are subject to any penalties, sanctions, or other disciplinary measures set forth in applicable federal, state, or local laws.

By my signature below, I acknowledge that I have received a copy of Policy #26, Conflict of Interest (dated December 2017) and the Code of Conduct, have reviewed the same, and understand the provisions contained therein. A new signature page will be required upon hire and annually thereafter.

Signature

Date